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## **Inclusive development? State-led land development model in New Town, Kolkata**

### **Abstract**

Urban land development in India is changing under the auspices of economic liberalisation. Kolkata has been in the forefront of this transformation through development of new townships in the urban peripheries based on a distinctive state-led land development model. Within this context, New Town, Kolkata (also known as Rajarhat) provides a highly illuminative case to articulate the ways in which, the state is implementing its neo-liberal agenda in land development. It rides on political and ideological high ground by seeking to create a 'model development' of state-market partnership for a dual goal of fostering capitalist interest while fulfilling welfarist principles. Interesting insights have emerged that point to a policy paradox. On one hand, the process follows market principles of efficacy and efficiency; on the other, state's keenness in extending control persists, thereby creating a highly uneven terrain for the state-market interaction. New Town reflects a typical quasi-market condition shaped by the monopolistic state, poorly-structured role of private sector, absence of civic bodies and minimal land and housing provision for the poor. In India, as internationally, with the economic liberalisation market ideology is increasingly construed as good governance. In this context, New Town is a step in the right direction but the progress is patchy, uneven and still evolving.

### **Key Words**

Land market, state, liberalisation, partnership, New Town, India

## **1 Introduction**

Urban land development in India is changing under the auspices of economic liberalisation. So far, the land market has benefited from the economic and political reforms introduced since 1991, of which two aspects stand out - availability of private capital in real estate sector through financial deregulation; and empowerment of government agencies through greater devolution. State governments are instrumented to introduce locally-specific reforms, and take an innovative approach to attract capital particularly to fill the gap created by a gradual squeeze on central government grants and loans (McMarten, 2003). In conjunction, new policies and targets on Special Economic Zones (SEZs) and New Towns are introduced to cater to the growing needs of industries, infrastructure and urbanising population, motivating cities to aggressively engage in acquiring land for development. There is a prominence of a typical state-led land development model furnished with the concepts of partnerships, deregulation and tax concessions. Partnership between the state and the local capital (and the capitalist) is viewed as the Odysseus's arrow in conquering more external (and increasingly global) investment<sup>1</sup>. Whether Kolkata or Bangalore or the capital Delhi, cities are competing to offer the best pitch for corporate land acquisition, apart from vigorously renovating urban services with newly refurbished airports, five star hotels and high-end housing development.

Kolkata offers a striking example of a city taking a remarkable stance on pro-market land development. The state has had to work harder to shed its anti-market garb - the hallmark of traditional communist sentiment - and gain investor confidence by running advertising campaigns, business promotion trips abroad and offering incentives to attract investors. The Communist party had effectively reworked on its ideological templates to overcome a politically consequential 'policy-change dilemma' by embracing a state-led development projects that will ensure their core commitment to neoliberalism without upsetting its support base. West Bengal was viewed as a bellwether in this balancing act until Tata famously abandoned it in favour of a notoriously neoliberal Gujrat for their Nano plant in 2007. However, land remains at the centre of all developmental pursuits<sup>2</sup> in West Bengal and the state government is

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<sup>1</sup> It is believed that partnership approach would not only address the funding shortfall but also control the pace and outcome of the development while introducing gradual change in the development culture, thus making it an 'undercurrent' in all recent Five Year Plans in India.

<sup>2</sup> Soon after the victory in 2006 assembly election, the state government announced the need for 100 thousands acres of land to accommodate its industrial projects. Among these 100 thousand acres of land required for industrial projects, around 30, 000 acres were then earmarked for SEZ projects.

constantly devising plans to acquire lands for new industrial and infrastructural ventures, often officially articulated as 'public purpose' by the state. The city itself is transforming visually and spatially with a rare velocity - amidst complexities and contradictions with a distinctive state-led land development approach under the neoliberal context.

In literature, the critique of conventional land development programmes and policies can be summarised in two broad points. On the one hand, majority of the poor continue to be denied access to urban land largely due to limitations in the state-led programmes and practices. There seems to be a consensus on where the institutional framework is weak, evidence base is poor and government is corrupt the resultant outcome will be poor in both efficiency and equity terms (Dowall and Clarke, 1991; Kundu, 2003; OECD, 1992; Payne, 1989; Shaw, 2004; UNCHS, 1996). Dowall and Clarke (1991) go on to assert that public land development rarely works, suggesting a critical need for new approaches in land development. However land reform continues to be conceived by states in a 'top-down fashion and implemented by them through bureaucratic modalities, whether market-assisted or not' (Gladstone and Kolapalli, 2007; Sikor and Muller, 2009). On the other, there is a perceived uniqueness about individual land development projects owing to varying contextual and factual conditions albeit their outcomes are remarkably similar. For instance, a recent study on Delhi and Bangalore has shown despite differing modalities in land development processes in each city, both have resulted in higher land prices, rapid changes in land uses and increasing marginalisation of the poor through reduction in the land available to lower income groups (Gladstone and Kolapalli, 2007). Notwithstanding limitations, the state-led model continues to stand out in national programmes and international policy statements (De Soto, 2000; Deininger, 2003a). State's inevitability in land development is however seen in tandem with the growing agreement on the important role played by complimentary markets (Carter & Mesbah, 1993; Deininger, 2003a, 2003b) opening up new avenues of partnership often accompanied by contradictory imperatives – create conditions in which profitable capital accumulation is possible and ensure capital accumulation does not crucify those left out of the process. These concerns stand out prominently in Indian context given the hyper-marketized actions of the government in land development (Bhaduri, 2007; Bidwai, 2006; Guha, 2007) uprooting millions of farmers undemocratically. Land is a state subject in India and there is an agreement among scholars that persistent monopoly of the state over land development (Bidwai, 2006; Fernandes, 2007) may lead to a state of 'urban crisis' (Roy, 2009). While the new 'land governance' under neo-liberalism continues to hold its ground in rapidly globalising metro cities (Sengupta and Tiple, 2007), the future of these cities rests on the questions - how land will be used and who will decide that.

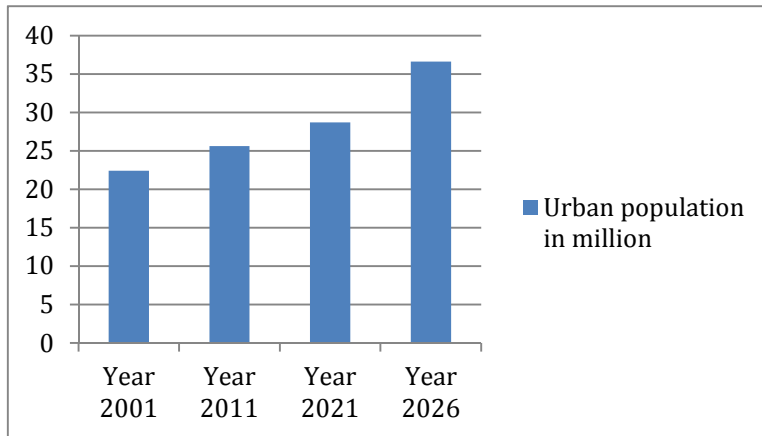
The paper explores this contention by presenting a case study of the way Kolkata's land market is liberalising - a process neither static nor complete. Within this transitory context, the state market relation within the uniqueness of the institutional landscape and its modus operandi warrants a rethinking on government actions, implementation, and evaluation. The paper discusses 'New Town' (locally called Rajarhat) development, which provides a highly illuminative case to articulate the ways in which both state and market emerge as key players in land development. The paper relies on published data from state agencies, empirical observation and author's field survey carried out in 2007 and 2010. Semi-structured interviews with officials of West Bengal Housing and Infrastructure Development Corporation (WBHIDCO), West Bengal Housing Board (WBHB) and Kolkata Metropolitan Development Authority (KMDA) further provide the basis for the analysis and interpretation. The remainder of this paper is organised as follows. Section 2 outlines the context of urbanisation and land development through the pre-and post reform antecedents in Kolkata. Section 3 explores key themes in the production of suburban in New Town and dynamics of state and market interaction in various facets of the development. Section 4 synthesizes observation on land development in liberalizing landscape in Kolkata and concludes.

## **2 Urbanisation and land development: Pre- and post-reform antecedents**

Urbanisation levels in India are low in comparison with developed countries but the pace of urbanisation has been high. As per a UN projection, over half of India's population (54.2%) will be living in urban areas by 2050 compared to 30% in 2010 (United Nations Population Division, 2011). It means in absolute numbers, over 830 million Indians will be living in urban areas by 2050. The state of West Bengal largely reflects the national trend in urbanisation with urban population projected to reach by 2026 (Figure 1). Nearly 35% of this population will be city dwellers, majority concentrating in Kolkata. Historically, Kolkata's city limit grew by 9.27 sq. km. between 1971 and 1990 (KMDA, 2005) through peripheral accretion, a trend common in most metro cities in India. In general terms, all Indian cities will be growing and expanding outwardly until the majority population will start living in cities. This trend is considered neither abnormal nor irrational by (mainly pro-growth) policymakers in India (GOI, 2002) showing general acceptance to concentration of urban population in large urban centres. The consequential shift means a corollary need for infrastructure, new housing and office complexes and shopping malls considered essential for the labour power

reproduction of the 'new Indians'. Whether modernising West Bengal or a more liberal Communist state such as Kerala, the spatial progression in the cities seems to be following through the trend in capitalism Harvey (1989, p.12) conceptualised as 'interaction of capital flows into land development to reproduce labour power'. In most major cities the quantitative and qualitative housing shortage has also necessitated this shift.

**Figure 1 Pattern of urban population in West Bengal 2001-2026**



Source: KMDA (2005)

In the following paragraphs, the paper discusses the distinctive patterns of state-led land development in Kolkata in the pre-and post-reform phases.

#### **Pre- reform antecedents**

As a colonial port city and the capital of British Raj, Kolkata flourished both economically and politically in the eighteenth and early nineteenth century. This was accompanied by a phenomenal growth in population owing to a huge influx of migrants generating a high demand on land and housing. In Murphey's (1964) account, Kolkata's growth is the most striking illustration of extent to which locational disadvantages have been overcome. However, from its early development as one of the first cities of India, Kolkata demonstrated a striking disjuncture in quality of life between the elites and the commoners. Although population increased by 50 times in the last two centuries, the number of houses increased by only 11 times (Kundu, 2004), exhibiting acute housing poverty that provides a tempting illustration for Davis's (2006) 'Planet of Slums'. Early efforts are marked by the state's managerial intervention in land development. The Basic Development Plan (BDP) in 1966 advocated a bi-nodal strategy of development by focusing on the two centres: Calcutta-Howrah and Kalyani-Bansberia, setting out proviso for supplying up to third of the total land requirement through direct state intervention. In the antecedents that followed, prospect of improving quality of life and reviving city's former glory combined with an attempt to articulate a distinctively contemporary approach to land development. Two examples dominate urban land development in this era: Kalyani and Salt Lake townships. Kalyani was developed between 1966 and 1976 as a self-sustaining township for 125,000 low- to middle-income population perceived to be the workforce for the industrial bases in the vicinity. Salt Lake was conceived in 1964 and its residential sectors were completed by 1969. It was proposed to be a counter magnet to the Kolkata city core, an objective, which has been largely achieved some 30 years later. Acute land shortage in central areas of Kolkata confirmed its role as a conurbation and won accolades as 'a well-planned city with a clarity in space and urban structure' (Urban Age, 2002, p.26). Although these townships were conceived and implemented with different objectives, both exhibited common characteristics, which define the government approach to land development in the pre-economic reform era - rich in concepts but poor in deliverability.

The first characteristic relates to government prudence in choosing township locations that seemed ahead of its time. They were built on the principle of recycling brownfield land with minimal or no displacement of the farming community, an issue that became the biggest roadblock for land development in the post-reform era. Kalyani was built on non-agricultural land. Salt Lake, located around 8 km from downtown Kolkata, was built on the salt-laden marshy land deemed not fit for agriculture. The second characteristic relates to how development in Kalyani and Salt Lake was implemented under tight regulatory fist with respect to development rights in a typical - 'command and

control' style with negative ramifications. The evidence of restrictive regulations lay in details around large size of the plots, undue density regulation and control over property transaction. On one hand, larger plot size made most plots unaffordable to the low-income group<sup>3</sup>. These plots went on to be usurped by the high-income group as their second property with no immediate need or desire to develop them. Speculative investments manifested in widespread vacancy. On the other, inhibiting regulations<sup>4</sup> coupled with restriction over market transaction (either through sub-lease or sales) blighted the profitability element of both development inhibiting the creation of a viable land market. The third characteristic relates to the absence of 'private sector' or the 'market' from the overall programme and deliverability failure. Understandably, an alliance with the market carried a symbolic undertone of betrayal to their communist loyalty and a reversal of the social policy paradigm that they sought to build. Jyoti Basu, the long-standing CM of the state from 1977 to 2000, in his first term as the CM, had famously said: "Let the capitalists understand us, we shall also try to understand their point of view" (Dutt, 2011). But it took nearly three decades for the principles of coordination with the 'market' to be fully etched in the communist's 'psyche' (Mallick, 2008). On hindsight, lack of vision for the role of market, counter-productive regulations and weak governmental structure together arguably led to the biggest policy error, which made everyone a loser. Although these measures can be explained by the prevalent political-economic ideology at the time, both townships now symbolise colossal waste of opportunity to create a pioneer urban land market in the country. The development and occupancy had been so slow<sup>5</sup> that the cost of maintaining areas relating to the taxes they yield constituted significant budget deficits. Not only the government was unable to recoup the development costs, but also to implement their own plan to relocate some government offices to Kalyani as the employees refused to move to a location 88 km away from the central Kolkata.

### Post-reform antecedents

Since 1991, the state's approach to land development has significantly changed owing to market logic and structural adjustment policies. Essential ingredients for this orientation were the institutional, fiscal and legislative reforms to enable market to work (Banerjee, 2002). Nationally, the biggest collective efforts were seen coming in rationalising laws and regulations, with unprecedented speed. Recognising the negative effects<sup>6</sup> (GOI, 1997) of Urban Land Ceiling and Regulation Act, 1976 (ULCRA), the central government repealed the Act in 1999 and many state governments (including West Bengal) have followed suit<sup>7</sup> with favourable results. The state by state abrogation of ULCRA over the last ten years has been slow but a steady progress toward institutional reform has been witnessed (Bertaud, 2010). In 2001, the central government gave permission for 100 per cent foreign direct investment (FDI) in integrated township development. Likewise, approval and permit system has been streamlined to reduce transaction cost, which has also been a major bargaining point for the governments with PPP projects. For example, in New Town government claims to have made significant savings by streamlining four different permit systems involving nearly 40 clearances from at

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<sup>3</sup> About 75 per cent of the total plots in Kalyani were between 330 and 670m<sup>2</sup>, which were affordable to only middle-and high-income group. Only 2.6 per cent of the plots were about 130m<sup>2</sup> potentially affordable to low-income group. Like Kalyani, Salt Lake showed low provisions of low-income housing (about 10 per cent) whereas majority (more than 55 per cent) of total plots were above 270m<sup>2</sup>, which were not affordable to the city's low-income group.

<sup>4</sup> For example in Kalyani, these regulations pertain to a maximum ground coverage of 50-65 per cent and FAR ranging between 1.25-2 and maximum height restriction to 8m.

<sup>5</sup> Targeted population in Kalyani for the year 2001 was 125,000 against 82 000. Likewise in the first 30 years of the development, only 40 per cent of the targeted population - 625 000, was achieved in Salt lake (WBHIDCO, 1999).

<sup>6</sup> The objective of the Urban Land (Ceiling & Regulation Act), 1976 was to facilitate the availability and affordability of urban land by increasing its supply in the market and by establishing an efficient land market. The ULCRA not only provided for imposition of a ceiling on both ownership and possession of vacant land but also empowered the government to acquire excess vacant land and to dispose it for the common good. However, these measures were counter-productive. Land acquired by public entities could not be put into productive use. Neither it was easily sold at market prices. Above all, absence of a mechanism to encourage the entry of the vacant urban land into the land market through appropriate fiscal measures caused artificial scarcity which led land prices to soar in cities. These detrimental effects of ULCRA have been explicitly expressed in the 9<sup>th</sup> Five year Plan (GOI, 1997) and soon after, the ULCRA Repeal Act was launched.

<sup>7</sup> Following GOI repealing the Act in 1999, under JNNURM, 28 states have repealed the Act (which however does not include state governments such as West Bengal, Jharkhand and Delhi). Maharashtra, which initially decided not to repeal the Act experienced a rise in land prices by over 300-400 times in cities such as Pune. On the other hand, Nagpur experienced an increased supply in land and investment for development purposes following the repeal.

least 15 departments using a one-window permit system<sup>8</sup>. Both stamp duty and registration fee have steadily and progressively come down from their peak at 10%<sup>9</sup> (Sengupta, 2006) despite that tax is the third largest revenue source for many Indian states (Alms, Annez and Modi, 2004).

At a broader level, governments have changed from a managerial to entrepreneurial mode of operation in line with the tenets of neoliberalism (Brenner and Theodore, 2002; Swyngedouw, 2000). As agents of state entrepreneurialism, city authorities such as KMDA and public land development agencies such as WBHIDCO have become de facto landowners and formidable economic actors forging strategic partnership with private sector in land and housing development. The statutory power of these agencies goes beyond making plans for city development, preparing detailed plans for plotting areas, and providing social and physical infrastructure. They are 'partners' in development, with 'the political muscle' required to forcefully acquire peripheral land (Fernandes, 2007). On the whole, the state-market partnership has been edified as a catalyst for extending the urban frontier (Sengupta and Tipple, 2007). Kolkata seized the opportunity to significantly extend its 'suburban growth' first through the process of administrative consolidation. Consequently villages in the hinterland around Kolkata were amalgamated into the metro core creating a much wider area of conurbation<sup>10</sup>. Once in the urban realm, city's hinterland is then rapidly altered to accommodate Special Economic Zones and New Towns creating a new paradigm of suburban development with two broad trends of significance. On one hand it continues to obscure the long term planning through ad hoc and localised decision-making and absence of a strategic planning document. On the other, it has created bastions of new contestation over land. Assault on rural farmers by powerful corporate-state nexus, featured widely in Indian media and academic literature (Fernandes, 2007; Guha, 2007; Roy, 2009) is suggestive of a new political formation seeking to control the city. The process of conversion of agricultural (or non-agricultural) entails either 'legal expropriation of land by the state in the public interest' or land encroachment by 'force' outside the law (Roy, 2009, p.84); either consensually or amidst tension; and either today or in the future when urban land crisis reaches a critical point. There is also a question of speed. The extraordinary espousal of pro-market land development strategies can in some respects be explained by the legacies of neoliberalism, but their rapid diffusion forces us to ponder how it is happening. If the city sets a goal of balanced development then close attention must be paid to the process. After all, by focusing on the process it will allow us to examine the validity of the popular notions of good governance, democracy, civil rights and equity and make better policy decisions for achieving those goals.

### **3 Planned production of suburban: The case of New Town**

New Town is the first planned production of suburban in the post-liberalizing context of Bengal. It is a complex area of study with whole raft of, often divergent, issues interacting at many levels. Critical within this process is the role of state balancing the two opposite imperatives of economic growth and bringing opportunities to the people who in Prahlad's (2010) view are 'at the bottom of the pyramid'. How far the state has been successful in pursuing the market to achieve its welfare goals then becomes the starting point of investigation. New Town presents economies of scale that is larger than life covering an area three times larger than Salt Lake and an area covering 8773 acres for up to 5 million population (Figure 2). It was also a showcase project for the incumbent Communist government to establish their credentials as a market-friendly state. In a strange reversal of responsibility, the genesis of New Town lay with KMDA's Concept Plan 1993, however its implementation is undertaken by the state government, which signifies the perceived importance of the project regionally and that stakes are high. In 1999, the state government established a para-statal body called WBHIDCO for a 'shrewd' execution of New Town in that WBHIDCO sits at the 'arm's length' to the state government - for the necessary manoeuvring and political legitimising of the state government's actions.

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<sup>8</sup> In Kolkata four major permits dictate this process – development permit, building permit, environmental permit and regulations associated with land transfers/titling and sale. Overall, there are nearly 40 clearances from at least 15 departments such as sewerage, water, land survey, land revenue, fire and pollution (Times News Network, 2003).

<sup>9</sup> Both the National Housing Policy and the JNNURM have recommended the reduction in stamp duty rates. Under JNNURM, Delhi, Maharashtra, and Orissa having reduced the duties to the 5 per cent level. Other state governments to have achieved this benchmark include Karnataka, Manipur, Mizoram, Nagaland, Rajasthan and West Bengal. States such as Andhra Pradesh have also committed to the reduction of duties to this level by 2012.

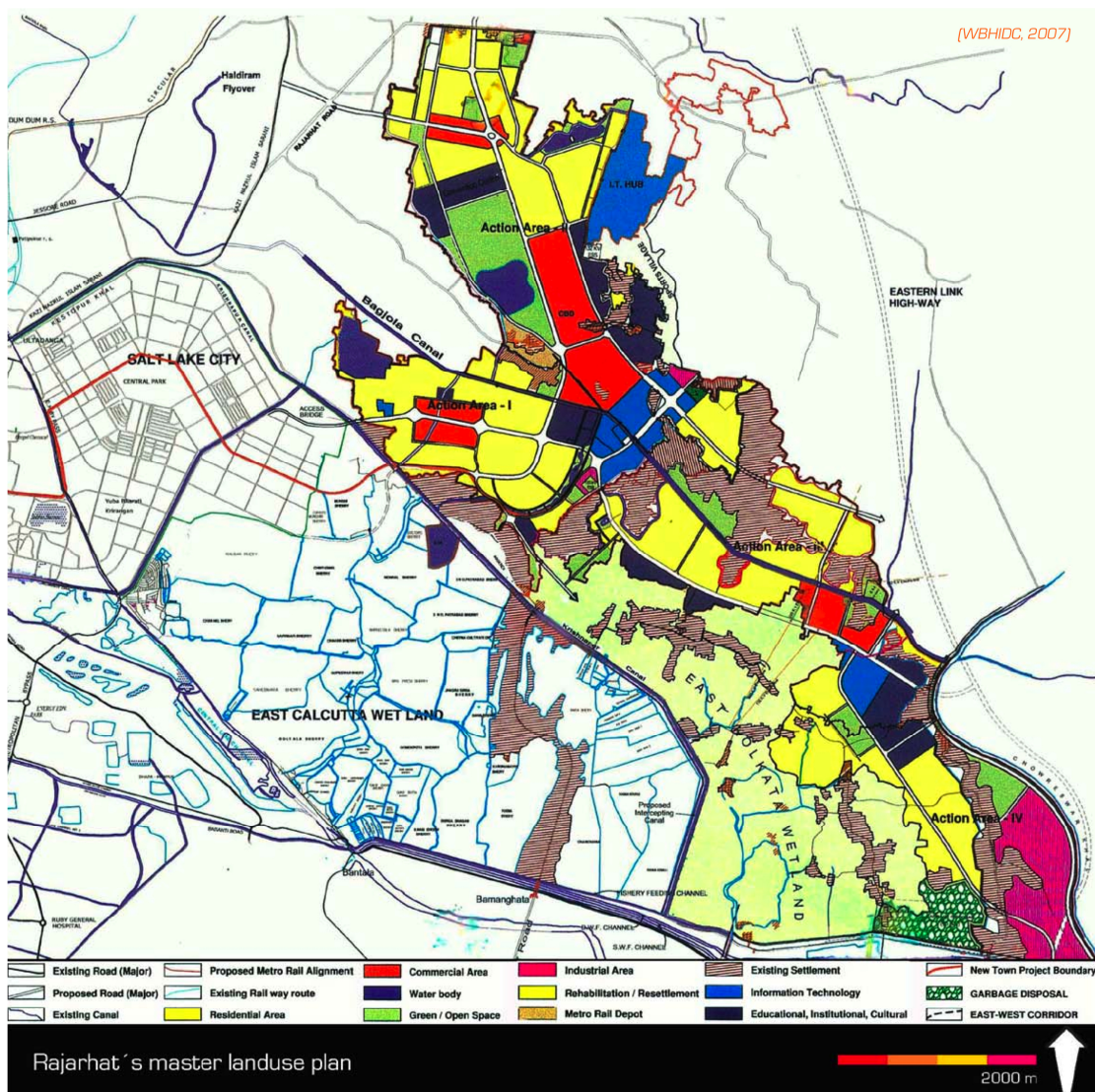
<sup>10</sup> Kolkata Metropolitan Area (KMA) now has three Municipal Corporations (Kolkata, Howrah and Chandannagore), 38 municipalities and several villages. The urban built up area now constitutes 54.7 per cent of the total area of the KMA and the rest is under non-urban use, which includes agricultural land, fallow land, plantation, forest, coastal wetland, water bodies etc, together constituting around 35 per cent. The remaining 15 per cent is under mixed built up use where no individual urban land use category is predominant. (KMDA, 2000, p. 57). e.g. the Calcutta Port Trust area of Kolkata.



This idea of 'steering from a distance' exceeds the boundaries of the regulatory state where state's interest is confined to containing negative externality from market anomalies. However the implementation agency is also given considerable degree of financial and operational autonomy with only 51% government stake in the company, thereby justifying its palatability with the business community. WBHIDCO has secured the entire cost of New Town development from the capital market<sup>11</sup> (Biswas, 2006) making it one of the largest off-budget schemes<sup>12</sup> in the country in recent years. It has powers to develop the entire range of infrastructure services, construct housing and commercial premises and acquire and sell land for different purposes. The first phase of the project – Action Area 1, which covers 6655 acres of land, is nearing completion.

In the following paragraphs the paper delves deeper into the issues concerning land use and regulations, state-market alliance in acquisition and approach to affordability, to take the conversation on land development further.

**Figure 2 Land use plan, New Town, Kolkata**



<sup>11</sup> Leading finance agencies such as National Housing Bank, Punjab National Bank, HUDCO and the West Bengal Infrastructure Development Finance Corporation have provided low interest loans for the operation of WBHIDCO. With a loan of 1 billion at an annual interest rate of 6.5 per cent National Housing Bank is the largest contributor. Their operation is also financed from the funds generated from land sale.

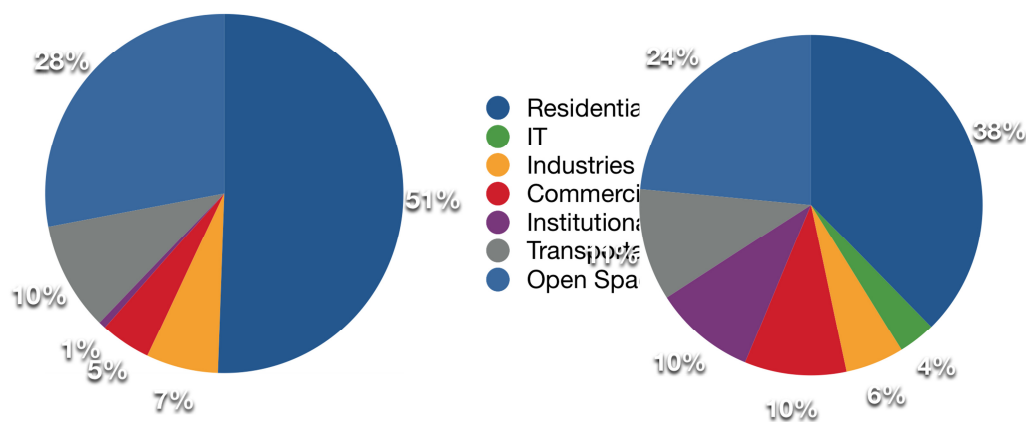
<sup>12</sup> A terminology commonly used in India and perhaps borrowed from US, 'off-budget' signifies schemes not included in the regular budget and funded through separate agencies. They achieve self-funding by usually loans or fund themselves through fees for services rendered.

Source: WBHIDCO (2007)

### 3.1 Dynamics of Land use and regulations

State assigns uses to land for regulating development and creating land values (Menezes, 1988). In ideal circumstances land use allocation should match the basic urban requirements. For a transitional economy such as India, flexibility in land use allocation is also a fiscal argument. Land use (mis)allocation and rigidity is perceived to contribute significant fiscal costs through higher capital/output ratios and consumption of more resources per unit of output particularly (Bertaud and Ranaud, 1995). On the other hand, stringent regulations are now viewed in a far more negative light in the context of economic liberalisation. Furthermore, land use allocations and regulations resulting from other motivations such as political have demonstrable detrimental effects. Within these theoretical and practical perspectives, dynamics of land use and regulations features strongly in the New Town plans. The distribution of land use (Figure 3) at the time of conception shows characteristics of an integrated township with somewhat equal distribution of residential and non-residential uses. The zoning rationale was described as an efficient allocation of activities with a major residential focus given the level of need for new housing in the city (WBHIDCO, 1999, p.121). By 2006, some adjustment was done in the original share with the introduction of Information Technology (5%), and higher share of cultural and health facilities (from 0.7 to 9%). Accordingly gross residential density was adjusted to 482 from 400. Partly, these changes reflect a response to the emerging interaction of demography, technology and economic development. In particular, West Bengal has joined the ranks of leading IT states such as Karnataka and Andhra Pradesh, forcing a new development paradigm of urban hubs centred on the outsourcing and IT services<sup>13</sup>. They also signal the state government's acceptance to market influence. Notwithstanding the politics-corporate nexus in development sector (as discussed in Section 3.3), the state still exudes broad traits of inflexibility and hubris when it comes to applying regulations in alternative sectors such as education, power and even telecom. The relative flexibility in New Town proposals signify a changing governance paradigm in real estate sector.

**Figure 3 Land use distribution in New Town: 1999 and 2006 comparison**



Source: Trammel Crow Meghraj (2009)

However, there are concerns relating to apparent failure of the regulatory flexibility in achieving its original objects. One, the market-induced adjustment (or the fiscal allocation) has been exclusionary reflected from the reduction in the provision land for the poor. According to WBHIDCO officials, original LIG, MIG and HIG (Low, Middle and High-Income Group) distribution followed roughly 1: 1: 2 ratio. The demonstrably low quantum of affordable housing has now been lowered further to 15% of the total housing output, which signifies that state's role, when competing uses vie for allocation, favours revenue generation at the expense of opportunities for the poor. Two, this change also

<sup>13</sup> The demand for IT enclaves in Kolkata has been unprecedented in recent years. For example, the premier real estate giant in India, DLF is investing INR 100,000 crore (over 22 b USD) in Kolkata and Dankuni real estate projects over next few years. Tower – I of DLF's first IT Park in Rajarhat has already been bought by IBM. The project will total INR 350 crore (USD 79m) when completed and will include two more towers, thereby adding up to 1.3 million sq ft. Likewise, Singapore-based company Ascendas is planning to invest INR 400 crore (USD 80m) for a 2 m sq ft IT park in the Kolkata.



appears to threaten the goal of creating mixed communities<sup>14</sup> in New Town. In addition, the methodology of administering land use change, due to its anticipatory nature, is problematic especially when demand is not forthcoming. In Action Area 1, under each use class category, up to 20 per cent land was kept on 'reserve' – a form of land banking, to provide for changing market requirements. The idea may be conceptually sound, but heavy resource invested to acquire additional land without any market research is risky. The risk relates to increasing dependency to global economic condition and its impact on demand as the Indian real estate opens up to attract overseas investors and consumers. The demand for properties in New Town may have been generally robust, there are evidences of losses in property sector overall due to the fall down of global economy (NKRealtors, 2009)<sup>15</sup>.

The development regulation in New town is another issue where government has been considerably flexible following a pro-market approach. Traditionally, development regulations have been the interaction points for the market and state interest to collide and the restrictive regulatory system viewed as 'criminalisation' of urban development (Bertaud, 2010). Bucking the trend, New Town has avoided applying some of the draconian regulations applied in Kalyani and Salt Lake townships over sale, transfer and subdivision. The state has gone a step further by relaxing expensive and complex legal requirements helping the market to raise profit levels and demand rise. This regulatory flexibility however is not symptomatic of wider institutional reform. In fact, it is strikingly 'output-driven' rather than being 'norm-driven'. A norm-driven policy signifies a long view on obligations, permissions and prohibitions that determine the efficiency of the property market. By contrast, output-driven behaviour signifies exclusive focus on a single project often resulting in what Rajack (2007, p.316) calls 'uneven imposition of restrictive regulations' especially manifesting where conditions allow. New Town is a typical Indian planning example of 'unevenness' devoid of strategic goals and 'spatial planning framework'. On hindsight, from the very beginning, central government's new town policies were never detailed out in terms of implementation strategy and implications at the local level. This policy gap resulted in the apparent misuse of the principle of 'eminent domain' by apex political bodies undermining constitutional arrangements<sup>16</sup>. The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Act gives primacy to *Panchayats* as autonomous decision-making entities to plan and guide development. These issues of constitutional breach have links to absence of an overarching spatial plan or framework, which in turn, relates to the lack of foresight on the part of both state and central government. The consequence of such omission is damaging, not so much for the projects themselves, but for the development agenda itself, making it a subject to speculation, conflicts and even distortions affecting the development prospect of much wider region.

Over the years the areas surrounding New Town boundary have witnessed 'development spill over' creating speculative micro-residential market by the local small-scale developers. In 2006 the state government belatedly set up Bhangot Rajarhaat Area Development Authority (BRADA) to regulate development and monitor land sale in these areas. The regulatory regime imposed in BRADA is very different to New Town and focuses on controlling price appreciation and restricting sale. While there is a prima facie evidence of land speculation spiralling out of control - seen as the basis for applying stringent regulations - there is also an unofficial account of ulterior motive gaining ground. The WBHIDCO officials at the time of interview suggested this area is a potential land bank for any future extension to New Town. Ironically, there is no 'need assessment' supporting this claim. As a policymaker and a potential land developer, the government may have the authority to enforce regulatory restrictions, but modality of their application is disturbing not only due to blighting effects on individual properties but also a distortionary effect on the land market overall by artificially raising speculation and increasing prices. BRADA has now come to epitomize the state government's discriminatory urban development. When government is the stakeholder, as in New Town, the traditional notions over sale, transfer, subdivisions or even planning permissions are removed. But the same degree of relaxation is not applied when it is a farmland or poorer neighbourhood in another administrative area(s). State's failure to implement policies uniformly across all groups or all jurisdictions thus results not in a freer market

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<sup>14</sup> 'Mixed community' is an objective of the WBHIDCO's (1999) Project Plan, which aims to generate areas for absorbing future metropolitan growth by 'creating residential areas for the people from various income classes according to the need of the city'.

<sup>15</sup> A recent study on the economic impact of global slowdown on Indian real estate puts 62 per cent decline in revenues, and 78 per cent decline in net profit, between March 2008 and March 2009 (Sahu and Menon, 2011). This decline has been attributed to the IT sector in India, which derives approximately 61 per cent revenues from the US-based clients (Deloitte, 2009). Major cities in India real estate markets have been NRI (non resident Indian)- focused or remittance-based and therefore have been vulnerable to changes in the economic situation of the Western countries.

<sup>16</sup> This was evident from the state-farmers conflict due to POSCO project in Orissa and Tata project in Singur. These were high profile cases where the state governments had completely ignored the opposition from the Panchayats on the issue of the corporate acquisition of the land in their backyard.

but a 'skewed development' that favours the powerful and corporate groups. This linear mode of development leads to a fragmented and unequal development - a typical Indian characteristic - where the 'urban' and the 'rural' transformations take place in isolation from each other.

### 3.2 State-market partnership: Alliance or partnership?

State market partnership in housing and land development is a well-established phenomenon in India today. There has been resuscitation of the view that state has the capacity to play a 'developmental role' by introducing right kind of regulations that balance the profit seeking nature of the market, particularly in the times of adjustment, transition and change. Simply put, the effectiveness of state intervention lies on the premise that, it is not ruled by the market. When the state is a partner in development, in theory, it should exercise a degree of autonomy and control to yield social returns with economic growth. In the early years of neo-liberalisation the government was seen taking a measured approach by seeking to limit the public private partnership to a few interested partners in housing and land sector. Over the last decade these partnerships have turned in to an organized alliance, which shape the land development in the city today. Given the historical anomalies relating to discrepancies and irregularities in public housing allocation in Kolkata (Sengupta, 2006a), it is important to tease out regulatory selectivity over land and housing allocation to understand the general pattern of development that determines which sectors are given access to resources. This selectivity may reflect government's belief in 'allocation for economic growth' - the central element of wider strategic context, but the reflection on the ground is very different.

Conventionally, the state furthered the interest of the market, but also regulated it to achieve a balance in view of those citizens who depend on the state. Others who depend on the market are taken care of by the market in the neo-liberal context. The situation is dangerous when the state allies with large corporations and 'the rules of the market are set by the state on behalf of these corporations' (Bhaduri, 2007). Although some of the evidence is circumstantial in nature, there is a distinct pattern emerging on two accounts – one, state-market partnership increasingly converging on sweet deals, through what Solomon (2004, p.183) calls a 'porous bureaucracy', two, state's profit seeking behaviour affecting pricing structure (as discussed in the previous section) and in turn, undermining the welfare provisions.

In New Town, state is seen allying with the market in different levels. The state gets into a suspicious position by getting into land acquisition, which lacked transparency and real dialogue forming a thick structure of organized power that was later exposed in Singur<sup>17</sup>. The agitation by the farmers against the forced acquisition petered out soon. Those who refused to abide by the new industrial land acquisition were arrested. The decision to suppress the movement under the police supervision was carried out by the coterie of political and industrial elites. Although differentiated in terms of space and time, Singur and Nandigram episodes show the true psyche of the state government in land acquisition. In general, development projects have always been highly political in Bengal with dissenting politicians often opposing them on various grounds. Public participation and protest are considered two sides of the same coin in the political repertoire in India (Mitra, 1992). To avoid concomitant problems of lawsuits and *dharnas* (street protests) the government used a special clause in the Land Acquisition Act, which enables direct purchase of land from farmers. In each *mouza* (administrative area), land prices were negotiated according to the character of land (low land, agricultural value and proximity to roads etc.). The process started from 1996 following the imposition of restrictions on land transfer to prevent speculation and predated the establishment of WBHIDCO. WBHIDCO was launched in 1999 and by that time, up to two third lands had already been acquired by the team based in the WBHB Head Office in central Kolkata. Thus, absence of a site office turned out to be barrier for the local community to organise and participate. Mobilising the community to assemble in the WBHB's headquarters in central Kolkata frequently to negotiate prices and compensation was both time and cost intensive. On the other hand, landowners were kept at dark with reference to what was being proposed on site, including what was the exact role of the JV partner. By carefully shielding details of state-corporate partnership arrangements, the government managed to stop further speculation in the process (Mitra, 2002).

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<sup>17</sup> The Singur case came to the national spotlight recently with the controversy surrounding 650 acres of farmland in the backyard of New Town. The incumbent Communist government had been accused not only of subsidising the Singur small car project but also of giving away of 300-400 acres of land to Tata Housing Development Company, as only 300 to 350 acres in Singur would be needed for the car factory. The protest ran for months, which was brutally suppressed initially using police forces. Eventually under pressure, Tata Motors withdrew from Kolkata and went to Gujarat, where the plant is now under operation. Subsequently, the Communist government lost election in 2011, ending the three decades of Communist rule in West Bengal, largely due to what happened in Singur.

The brief interlude of market's direct engagement in land acquisition in early years met with a strong opposition leading to legal battle questioning 'public purpose' of the acquisition. The government action was upheld by the High Court using the definition in the Land Acquisition Act, 1894<sup>18</sup> and ever since, the concept of 'public' has undergone a fundamental change. Although the debate on the way 'public interest' was redefined (Bidwai, 2006; Guha, 2007, Roy, 2009) continues, the new members of the 'public' are the businessmen and the corporate groups and not the farmers, daily wage earners or working class population. Roy (2009, p. 78) argues that public purpose projects require 'more of the state than simply the acquisition of land through eminent domain instruments'. This begs a question as to why the state government has to acquire land when private developers can do it following the market rules.

Second is the issue of engagement of political-corporate alliance in designing and administering compensation regime independent of landowners' acceptations resulting in inconsistency of both horizontal and vertical dimensions. The former refers to case-based variation in price-setting and the latter implies differences in compensation over time. Land owners were led to believe that direct sale to JV would secure them more money rather than when disposing land through acquisition. This was however a ploy intended to establish land prices and bypass protests and *dharnas* that are integral part of development projects in India. Direct sale only constituted 4% of the total acquisition implying that it was not the preferred method for the JV to acquire more land but a tool to mark down land prices. Overall WBHIDCO has spent a total of INR45m (USD0.97m) - constituting a paltry 1.25% of the total project cost so far on land purchase, the profit for the government and its partners is much higher. In a striking illustration of this – a land for which farmers were paid only INR 5000-6000 (USD 107- 129) per *Kattha*<sup>19</sup>, was sold by the government to developers at around INR600,000 (USD 12903), while the developers in turn were making a profit of around INR 15m-20m (USD 0.32m-0.43m). This basically means that the farmers received 1% of the profit of the government or 0.0001 % of developers' profit. As the land ends up in the dynamic accumulation economy, there is a phenomenal increase in its market value. However, original landowners at different stages of the project were not made beneficiaries of the profits. Instead, the government is seen as legitimising the profit seeking motives of its closer ally – market, depriving the significant minority of almost everything.

In the last decade the state-corporate alliance has been prevalent across the country. In every state government, agricultural or tribal land is being acquired forcefully for developmental purposes and distributed iniquitously. All the deals are trade secret but it is a common knowledge that billions are going to 'political parties' - the agents of the state through unbridled privatisation of suburban land<sup>20</sup>. Land distribution is done through invited bidding rather than open bidding which creates an unfair competition. The invitees tend to be the few big players with pre-existing ties with the government. Residential land sale in particular has been increasingly centring on developers who are also joint-venture partners. The details of bidding criteria are undisclosed. It is however plausible to assume they are not entirely merit-based such as in Singapore, where the government land sale is based on 'best-design' criteria, which, according to Lee (2010, p. 163) allows the government to control and manage the development in addition to ensuring a healthy financial gain.

### 3.3 The affordability question

The real benefits of government intervention in land development should be seen through its contribution to the land market by addressing land shortage issues and its role in improving land affordability to majority of city's urban poor. The basic economic principle suggests prices rise and fall as per the supply and demand forces, but the question is who sets the land prices in a context of high demand for land and widespread unaffordability. There is a credible evidence of state actions in land disposal affecting affordability at all levels. In disposing commercial land it has shown a relentless drive to maximize profit. Prices of developed land have been hiked to astounding levels capitalizing on the demand from big companies such as WIPRO, AirTel, Jindal Group, ICICI Bank. It was claimed that at the end of 2008, Housing Minister Goutam Deb was charging up to INR70m (USD 1.5m)/acre, which sent alarm bells to the Chief Minister's office on the potential backlash that may ensue from such 'over-zealous' price-setting (The Financial Express, 2008). Subsequently, Wipro and Infosys were sold 50 acres of land at Rajarhat at a much-reduced price at INR

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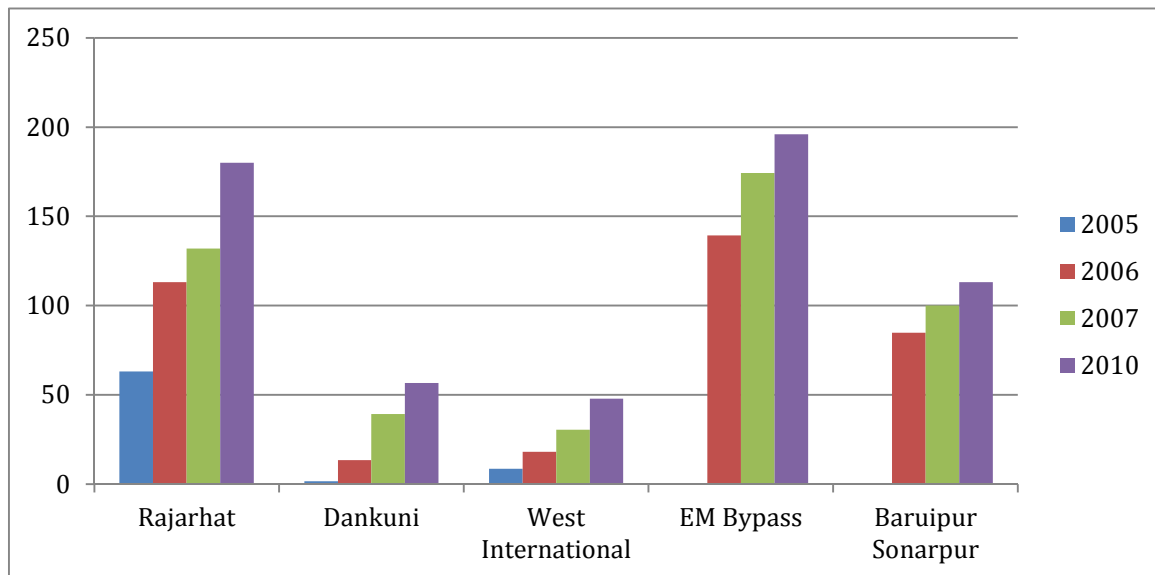
<sup>18</sup> The Land Acquisition (Amendment) Bill, 2007 redefines 'public purpose' as land acquired for defence purposes, infrastructure projects, or for any other project useful to the general public where 70 per cent of the land has already been purchased. The Bill bars acquisition for companies except under this condition.

<sup>19</sup> 1 *Kattha* equals 760 sq. ft.

<sup>20</sup> During the recent election campaign, details of corruption in the New Town project have emerged. According to a newspaper reports, the incumbent Housing Minister allegedly made INR2b (USD44m) from the sale of 600 plots in New Town (Indian Express, 2011).

15m/acre (Times News Network, 2009) following the CM's intervention. Although the commercial land value has now been set in and around that figure, speculative prices in the market have been much higher across the board (Figure 4) and that New Town continues to experience upward pressure on prices. It is argued that New Town exhibits the pro-market notion of going for the 'fittest beneficiaries' - who are also most economically efficient and financially competitive development partners to take over land. This form of monopoly inhibits participation from the small and medium developers who would potentially cater to less affluent segment of the society.

**Table 1 Land price movement in township development in Kolkata**



Source: Rao (2007) and Author's field survey 2010

The residential land disposal is also similarly flawed and inconsistent. New Town experience so far suggests the very poor in the community have been priced out of the system even though distribution is largely based on a tailored-subsidy approach<sup>21</sup>. Up to 60% residential land has been released to joint venture companies under public private partnerships (PPP). Remaining lands are distributed to housing cooperatives and to individual low-income buyers at subsidised prices. However, lack of any needs assessment has not only questioned the reasoning for the spread of 'subsidy' but also raised speculations on irregularities in land allotment prompting the new government to launch an inquiry<sup>22</sup>. Nevertheless, by adopting an aggressive business model where the state is a regulator as well as a provider (as a JV partner), the state sought not only to fulfil its obligations (of affordability housing provision) but also to legitimise its actions (of profit-seeking<sup>23</sup>) endemic to the concept of capitalist growth. However, high profit-levels and lack of evidence of reinvesting part or the whole of that profit back into the community raise a question on redistributive justice in state-led land development. The long-term sustainability of the PPP model is also under question given the difficulties in balancing apparently contradictory emphasis of the model and due to a number of methodological weaknesses (Sengupta, 2006). In the formative years, joint venture companies were given a leeway to undertake whatever policy actions necessary to offset housing affordability pressure. Affordable housing production

<sup>21</sup> Although no established method exists interview with HIDCO officials revealed that this was done by varying the consumption and income reference levels of different population group, and iteratively determining appropriate magnitude for the subsidy. This has been the basis for price proportion and price levels of land distributed to LIG, EWS and Cooperatives.

<sup>22</sup> The current Chief minister Mamata Banerjee has ordered a judicial inquiry into the alleged irregularities in acquisition and distribution of New Town land under retired high court judge (Times of India, 2011). However, new controversies have surfaced which question the credibility of the probe (Datta, 2011).

<sup>23</sup> Although modest as compared to profits from commercial land disposal, the residential land sale has not been entirely without profits. The earliest record of profit for WBHIDCO was INR84,000 (USD1806) per *Kattha* from residential plots (Sen and Kumer, 2003) which has now increased to INR800,000 (USD17200) per *Kattha* in 2010 for residential lots.

under PPP model was based on cross-subsidy and as a starting point, proportion of affordable housing was set at around 20%. However PPP model overall produced far fewer affordable units relative to the housing need. The PPP has come to represent a 'token' welfare, which is hardly able to make any significant contribution to address the issue of affordability. Further, the adoption of strict mixed housing policies in the provision of public housing/PPP schemes in the last two decades created a perception that affordable housing market on its own cannot sustain. This view has changed considerably<sup>24</sup> in the last few years with national developers such as Saproorji Pallonji and Tata entering this sector despite the perceived conceptual barriers. For example, when Saproorji Pallonji Group<sup>25</sup> offered to build all-LIG enclaves (despite the 20% threshold), it was initially perceived as being disingenuous. Corollary to this view suggests that general lack of affordable homes need not be purely market-determined, but a product of state inefficiency and lack of interest to create privately supplied low-income housing market. On one hand, cross-subsidy implicitly inflates high-income housing prices not only by way of constrained supply (fewer high income homes are built to make room for affordable homes) but also to offset the subsidy component. On the other hand, government control brings rigidity in prices of low-income units, through an almost exclusive focus on per unit cost caps, thereby creating a barrier to formation of a viable low-income housing market. The prices of LIG homes for instance are far below the prevalent market rates making them exclusive commodity.

In the distribution of individual plots state and market interact at different levels to create a structure that determines the level of affordability of beneficiaries. New Town, demonstrates a supply-constrained environment where production of affordable homes is limited, demand is very high and regulations are stringent creating a market-bias on those with ability to pay. The preconditions for acquiring affordable homes are set very high. For example, applicants are required to deposit up to 40% (20% in Action Area 1) of the total cost of land and pay the remaining amount in four instalments. This becomes particularly problematic when income level is very low. Author's interview with the officials of WBHIDCO revealed that in Phase 1, prices of LIGs plots were reduced to INR55,000 (USD1196) from INR150,000 (USD3261) per *Kattha* as there were no applications. By contrast demand for HIG plots has been very high. During early phase of the project, which predates the real estate boom in recent years, up to 30 applications were received for one plot (Mitra, 2002). The demand from the upper income group together with pre-existing loopholes in means-testing suggest a significant 'down-filtering' which is not unique to New Town but has been seen in Navi Mumbai (Shaw, 2004, p. 156).

#### 4 Land Development in New Town under the quasi market condition?

Bertaud (2010) identifies two distinctive models of land development in India that are – one, Delhi model, which is financially strong but unresponsive to market demand and oriented primarily to control the growth of Delhi through statutory control; other, Mumbai model, which applies draconian measures to regulate land use which themselves are loosened up through negotiations. He then calls everything else as the 'other' category. However this is not as straightforward as it appears as different regions in India show different modalities reflecting their regional interests and response to the neoliberal context. For example, Gladstone and Kolapalli (2007) and Solomon (2004)'s work on Bangalore demonstrates that land policies driven primarily to attract investment from software and electronic firms. In Kolkata New Town displays hybrid characteristics with twin emphasis on 'spatial growth management' seen in Delhi and 'land development for strategic investment' as seen in Bangalore. On hindsight, New Town has set an ambitious goal - to achieve 15 per cent of the total shortfall in housing stock and a quarter of business land needed for the city. Even more importantly, the project rides on the political and ideological high ground, as it seeks to create a 'model development' of state-market partnership for a dual goal of fostering capitalist interest while fulfilling welfarist principles. Such high goals set high expectations but also complexities in equity and justice issues when undertaken without requisite institutional and policy infrastructure.

First, and the most central to this paper, the New Town model has failed to embrace the contemporary thinking in market economy. The state-led urban land development model in Kolkata is in state of flux, which is neither static nor

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<sup>24</sup> A study (KPMG, 2010) puts the housing requirement for the sub- INR100,000 income group across seven major cities at 2.06 million units - a market size of INR3,300 billion (US\$ 66 billion). The macro-economic prudence in this robust given the expanding stock of affordable housing would bring, in addition to social benefits, substantial economic advantages through increased demand for construction, building materials, and housing finance, which in turn spur job creation and further economic growth.

<sup>25</sup> The Housing Board has allotted the construction of 12,000 LIG and 8,000 MIG units on 150 acres in Rajarhat to the Shapoorji Pallonji group. The company has been given a 50 acre plot for building commercial ventures at low prices.

complete. The model is again neither market-driven nor welfare-driven. What is striking is the high degree of policy unevenness arising from the state taking different forms, philosophies and approaches. On one hand, we see evidence of the entrepreneurial state seeking to distance itself from prior welfare commitments making land development economically lucrative to the government and its private partners. In doing so, the state is also seen to be remodelling itself as a profit-seeking organisation within the time and space too short to build institutional and legislative foreground. Even the long-term spatial planning framework is missing making the approach ad hoc and project-based. On the other, the increasing articulation between state and market governance in New Town has occurred in a two-way relationship where state intervention establishes the conditions for the operation of a market while market mechanisms are mobilised to serve political elites. The process ignores the fundamental condition of equity and justice, while fostering marketisation of state intervention, which is incompatible with the wider reform.

Second, although issues around land acquisition are considered less controversial and having a little bearing on the effectiveness of the project as a whole (Rajack, 2007), the New Town case shows it is an important aspect which is symptomatic of the iniquitous land governance and somewhat unfair practices. In fact, beyond the New Town borders, rural land acquisition is increasingly occupying centrestage in media and political discourse across the country with the debate focusing on the 'centrality of compensation'. India's government views land value at the edge of the city to be equal to the prevalent agricultural land value despite that agricultural land is ready for urban consumption as soon as it has the requisite infrastructure. From equitable development perspective, it is only fair that when agricultural land comes into the interface with urban development, its price is appreciated to match urban land value with increase in demand. The basic principle of price elasticity of demand also suggests this. This proposition makes sense as in terms of urban-rural composition, which is 1:3 in India. To justify interests of the stronger minority (urban population) over weaker majority (rural population) is incongruous with wider social objectives of the constitution as well. The state is accountable to people, more so during the economic transition. Although the inability of economic theories to tackle the complexity of the compensation has been recognised (Seidl and Harrison, 2002), the social dimensions are far from addressed. The question of what the bundle of property rights is in terms of social considerations becomes important given the rural population is forced to bend themselves to unfamiliar and alien norms of urban lifestyles, and that too without being provided alternative means of occupation or homes<sup>26</sup>. Economic growth is required in Kolkata (as in India) but not by impoverishing people (Fernandes, 2007) further or through what Bhaduri (2007) calls 'developmental terrorism'.

Third, in New Town, state actions have shown the hallmark of the largely top-down process and lack of consensus building among various parties at key stages of the project. Elsewhere, issues of compensation and democratic participation have been closely linked (Seidl and Harrison, 2002). In this context absence of a powerful mediator, as a precondition to balance the power struggle is pronounced. Unlike the heavy-handed acquisition practices in cities such as Seoul, which Kolkata sought to follow (Mitra, 2002), experiences from Latin America (Deininger, 1998) and Africa (Moyo and Paris, 2000) suggest a need for major external interventions in the form of civil society support and development agencies to facilitate an effective dialogue. Notwithstanding criticisms on NGOs' accountability and lack of comprehensiveness persist (Wallace, 2003; Harvey, 2005; Lake and Newman, 2002), their potential in building all-round consensus within neo-liberal context cannot be underestimated. The general issue of participation has also affected other areas of the project. For example, throughout the project, there was a lack of transparency in the operation. Agreements with the JV companies were never divulged, generating speculation about the state-market nexus. Arguably, state's private partners were also cherry-picked on the basis of their alliance with the political parties rather than their merits. By disposing land through strategic invitation rather than open competition, the government may have managed to avoid the 'under pricing', as seen in China (Li, 1997), but it has hindered wider participation of market forces. Further the monopolistic approach also tends to undermine the role of the private sector.

To summarise, land development in New Town signifies how the state is implementing its neo-liberal agenda pointing to a policy paradox. On one hand, the process follows market principles of efficacy and efficiency, whereas state's keenness in extending control persists on the other, thereby creating a highly uneven terrain for state-market interaction. In other words, there is compelling evidence both of marketisation and of political centralisation in land development. It is argued that New Town reflects a quasi-market condition, which shares some of the issues relating to both non-market and market conditions. In India, as internationally, with the economic liberalisation market ideology is increasingly construed as good governance. In this context, the contradictions, dubious elisions and logical slippages suggest New Town is a step in the right direction but the progress is patchy and uneven and still evolving.

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<sup>26</sup> In a remarkable policy U-turn of the state government policy in Uttar Pradesh, CM Mayawati announced a legislative framework to ensure 'seller's price' for the acquired land in June 2011. It is yet to be seen whether other states choose to follow this path.



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